

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Monroe County Building Authority		County Monroe	
Audit Date 12/31/04		Opinion Date 3/25/05		Date Accountant Report Submitted to State: 4/13/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

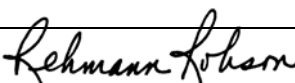
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 				

MONROE COUNTY BUILDING AUTHORITY

Basic Financial Statements

For The Year Ended December 31, 2004



REHMANN ROBSON

Certified Public Accountants

MONROE COUNTY BUILDING AUTHORITY

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

March 25, 2005

To the Commissioners of the
Monroe County Building Authority Board
Monroe, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the ***Monroe County Building Authority, a component unit of Monroe County***, as of and for the year ended December 31, 2004, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Monroe County Building Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Monroe County Building Authority as of December 31, 2004, and the respective changes in its financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

BASIC FINANCIAL STATEMENTS

MONROE COUNTY BUILDING AUTHORITY
Statement of Net Assets and
Governmental Funds Balance Sheet
December 31, 2004

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The accompanying notes are an integral part of these financial statements.

MONROE COUNTY BUILDING AUTHORITY
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2004

	Law Enforcement	Debt Service Funds		Capital Projects Fund		Other Governmental Funds	Total Governmental Funds	Adjustments	Statement of Activities
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Interest and rental income	480	858	149,212	244,535	24,486	64,763	484,334	(351,611)	132,723
Expenditures / expenses									
Capital improvements and acquisitions	-	-	-	-	75,321	40,370	115,691	-	115,691
Debt service:									
Principal	580,000	300,000	425,000	200,000	-	150,000	1,655,000	(1,655,000)	-
Interest and fiscal charges	74,840	277,790	16,753	44,525	-	28,125	442,033	(23,101)	418,932
Total expenditures / expenses	654,840	577,790	441,753	244,525	75,321	218,495	2,212,724	(1,678,101)	534,623
Revenues over (under) expenditures	(654,360)	(576,932)	(292,541)	10	(50,835)	(153,732)	(1,728,390)	1,326,490	(401,900)
Other financing sources (uses)									
Transfers from Monroe County	655,365	577,000	2,000	-	-	104,055	1,338,420	(1,338,420)	-
Transfers to Monroe County	-	-	-	-	-	(11,930)	(11,930)	11,930	-
Total other financing sources (uses)	655,365	577,000	2,000	-	-	92,125	1,326,490	(1,326,490)	-
Net change in fund balances	1,005	68	(290,541)	10	(50,835)	(61,607)	(401,900)	401,900	-
Change in net assets	-	-	-	-	-	-	-	(401,900)	(401,900)
Fund balances / net assets									
Beginning of year	14,573	784	773,369	246	1,893,568	292,173	2,974,713	-	2,974,713
End of year	<u>15,578</u>	<u>852</u>	<u>482,828</u>	<u>256</u>	<u>1,842,733</u>	<u>230,566</u>	<u>2,572,813</u>	<u>-</u>	<u>2,572,813</u>

The accompanying notes are an integral part of these financial statements.

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Monroe County Building Authority (the “Authority”) was established on February 13, 1972 pursuant to Public Act 31 of 1948. The Authority is governed by a 5-member Board appointed by the Monroe County Board of Commissioners for 6-year terms. The purpose of the Authority is to finance and construct the County’s public buildings. The Authority enters into various lease agreements with Monroe County (the “County”) covering buildings constructed by the Authority (*see Note 3*).

Reporting Entity – These financial statements present the financial position and the results of operations of a blended component unit of the County and are an integral part of that reporting entity.

Authority-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined authority-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to authority-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The authority-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

The Authority reports the following major governmental funds:

Debt Service Funds:

Law Enforcement	(1994 bond issue)
County Facilities	(1998B bond issue)
Mental Health	(1991 bond issue)
Library Renovation	(1998 bond issue)

Capital Projects Fund -
County Facilities

Debt service funds account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

Capital projects funds account for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings.

As a general rule the effect of interfund activity, if any, has been eliminated from the authority-wide financial statements.

Cash and Cash Equivalents – The Authority’s cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less from the date of acquisition. State statutes authorize local governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations.

Long-term Obligations – In the authority-wide financial statements, long-term debt is reported as a liability. Bond discounts, premiums, issuance costs and refunding losses, if any, are deferred and amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount, premium and deferred loss, if any. Bond issuance costs, if any, are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Discounts or premiums on debt issuances are reported as other financing uses or sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

2. DEPOSITS

At year-end, the carrying amount of the Authority's deposits was \$2,572,813 and the bank balance was \$2,475,701. Of the bank balance, \$200,000 was covered by federal depository insurance; the remaining balance of \$2,275,701 was insured and uncollateralized.

3. LEASES RECEIVABLE

The Authority has entered into various lease agreements with the County for buildings acquired or constructed by the Authority. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal (plus accrued interest). Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the County.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the Authority's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessee to use, operate and maintain the property, at its own expense, subject to the terms and conditions of the agreements.

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

4. LONG-TERM DEBT

Following is a summary of the Authority's debt outstanding as of December 31, 2004:

	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Outstanding Principal</u>
General Obligation Limited Tax Bonds			
1990 Building Authority	6.5-9.0%	2006	\$ 350,000
1994 Building Authority Refunding	3.0-5.0%	2006	1,205,000
1998 Building Authority	3.8-4.5%	2008	900,000
1998B Building Authority	4.0-6.0%	2018	<u>6,120,000</u>
			<u><u>\$ 8,575,000</u></u>

Annual debt service requirements to maturity for the Authority's debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,280,000	\$ 357,103
2006	1,310,000	287,803
2007	590,000	236,953
2008	610,000	206,295
2009	375,000	183,900
2010-2014	2,190,000	672,000
2015-2018	<u>2,220,000</u>	<u>183,600</u>
Total	<u><u>\$ 8,575,000</u></u>	<u><u>\$ 2,127,654</u></u>

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

Changes in Long-Term Debt. Long-term liability activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation limited tax bonds	<u>\$ 10,230,000</u>	<u>\$ -</u>	<u>\$(1,655,000)</u>	<u>\$ 8,575,000</u>	<u>\$ 1,280,000</u>

5. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the authority-wide statement of net assets, which reconciles fund balances to net assets:

Fund balances	\$ 2,572,813
Adjustments:	
Leases receivable are not <i>current financial resources</i> and therefore are not reported in the governmental funds	8,671,851
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(8,575,000)
Accrued interest payable on bonds is not recorded by governmental funds	<u>(96,851)</u>
Net assets	<u>\$ 2,572,813</u>

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the authority-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

Net change in fund balances	\$ (401,900)
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Adjustments:

Amounts received for the payment of certain bond principal and interest is recorded in the funds as other financing sources. For the statement of Activities, the other financing sources are eliminated with that portion of the receipts that pertain to bond interest being recognized as rental revenues.

Rental revenues	(351,611)
Transfers from Monroe County	(1,338,420)
Transfers to Monroe County	11,930

Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for <i>net assets</i>	1,655,000
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Accrued interest expense on bonds are not recorded by governmental funds but are reported for purposes of <i>net assets</i>	<u>23,101</u>
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Change in net assets	<u><u>\$ (401,900)</u></u>
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6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. During the year ended December 31, 2004, the Authority participated under the County's membership in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool serving various local governments in Michigan. Further information regarding the County's participation in MMRMA is presented in the County's comprehensive annual financial report.

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COMBINING FINANCIAL STATEMENTS

MONROE COUNTY BUILDING AUTHORITY
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2004

	<u>Debt</u> <u>Service Fund</u> <u>M-50 Health</u> <u>Building</u>	<u>Capital Projects Funds</u> <u>Bedford</u> <u>Facility</u>	<u>Capital</u> <u>Improvements</u>	<u>Totals</u>
<u>Assets</u>				
Assets				
Cash and cash equivalents	\$ 132,700	\$ -	\$ 97,866	\$ 230,566
<u>Liabilities and Fund Balances</u>				
Fund balances				
Unreserved, undesignated	\$ 132,700	\$ -	\$ 97,866	\$ 230,566

MONROE COUNTY BUILDING AUTHORITY
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	Debt		Capital Projects Funds	
	Service Fund		Bedford	Capital
	M-50 Health		Facility	Improvements
	Building			Totals
Revenues				
Interest and rental income	\$ 41,928	\$ 29	\$ 22,806	\$ 64,763
Expenditures				
Capital improvements and acquisitions	-	-	40,370	40,370
Debt service:				
Principal	150,000	-	-	150,000
Interest and fiscal charges	28,125	-	-	28,125
Total expenditures	178,125	-	40,370	218,495
Revenues over (under) expenditures	(136,197)	29	(17,564)	(153,732)
Other financing sources (uses)				
Transfers from Monroe County	80,625	-	23,430	104,055
Transfers to Monroe County	-	(11,930)	-	(11,930)
Total other financing sources (uses)	80,625	(11,930)	23,430	92,125
Net change in fund balances	(55,572)	(11,901)	5,866	(61,607)
Fund balances, beginning of year	188,272	11,901	92,000	292,173
Fund balances, end of year	\$ 132,700	\$ -	\$ 97,866	\$ 230,566